

**PARSONS PUBLIC LIBRARY
PARSONS, KANSAS**

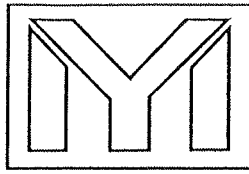
FINANCIAL STATEMENT

DECEMBER 31, 2014

PARSONS PUBLIC LIBRARY
PARSONS, KANSAS
For the Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Parsons Public Library
311 S. 17th St.
Parsons, Kansas 67357

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash and investments of the Parsons Public Library, as of and for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Library's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Parsons Public Library to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

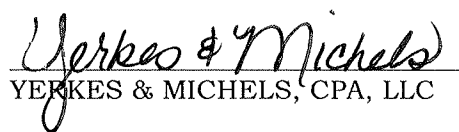
In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Parsons Public Library as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and investments and unencumbered cash and investments of the Parsons Public Library as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash and investments - regulatory basis (basic financial statement) as a whole. The summary of regulatory basis expenditures, and the individual fund schedules of regulatory basis receipts and expenditures, (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.


YERKES & MICHELS, CPA, LLC

July 28, 2015

PARSONS PUBLIC LIBRARY
PARSONS, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH AND INVESTMENTS

Regulatory Basis

For the Year Ended December 31, 2014

<u>Fund</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash & Investments</u> <u>Balance</u>	<u>Prior Year</u> <u>Cancelled</u> <u>Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash & Investments</u> <u>Balance</u>	<u>Outstanding</u> <u>Encumbrances</u> <u>and Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash & Investments</u> <u>Balance</u>
Governmental Type Funds:							
General Fund	\$ 1,195,889.80		\$ 390,523.57	\$ 345,814.42	\$ 1,240,598.95	\$ -	\$ 1,240,598.95
Special Purpose Fund:							
Employee Benefits Fund	4,840.67		61,247.00	58,764.54	7,323.13	-	7,323.13
Total Reporting Entity	\$ 1,200,730.47	\$ -	\$ 451,770.57	\$ 404,578.96	\$ 1,247,922.08	\$ -	\$ 1,247,922.08

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

PARSONS PUBLIC LIBRARY
PARSONS, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH AND INVESTMENTS

Regulatory Basis

For the Year Ended December 31, 2014

COMPOSITION OF CASH AND INVESTMENTS
as of December 31, 2014

Cash in Banks:		
Great Southern Bank, Parsons, Kansas		
Main Checking		\$ 118,828.88
Commercial Bank, Parsons, Kansas		
Checking	58,287.90	
Savings	25,003.28	
Certificate of Deposit	50,000.00	133,291.18
Labette Bank, Parsons, Kansas		
Certificate of Deposit		15,000.00
Cash on Hand		218.85
Total Cash		<u>\$ 267,338.91</u>
Investments:		
FS Investments	\$ 56,010.76	
AR Capital	77,050.41	
National Planning Corporation	184,439.35	
Curian Capital (400B)	110,105.02	
Curian Capital (800F)	552,977.63	
Total Investments		<u>\$ 980,583.17</u>
Total Cash and Investments		<u><u>\$ 1,247,922.08</u></u>

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

PARSONS PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1A. FINANCIAL REPORTING ENTITY

The Parsons Public Library, Parsons, Kansas (the Library) is a related municipal entity which was established to benefit the City of Parsons, Kansas (the City) and its constituents. The library is operated by a seven member Board of Trustees, which is appointed by the Library Board and approved by the City Commission. Acquisition and disposition of real property by the Board must be approved by the City Commission. Bond issuance must also be approved by the City Commission.

1B. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

Regulatory Basis of Accounting and Departure from Accounting Principles generally accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Parsons Public Library has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Library to use the regulatory basis of accounting.

The accounts of the Library are organized on the basis of funds, each of which is considered separate accounting entities. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of Parsons Public Library for the year 2014:

PARSONS PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1B. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING (cont'd.)

GOVERNMENTAL FUNDS:

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

1C. REIMBURSEMENTS

The Library records reimbursable expenditures (or expense) in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2A. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund and special purpose funds. These budgets are applicable at the City level, therefore, they are not included in these statements.

2B. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL MATTERS

Management is not aware of any violations of compliance with Kansas Statutes or violations of other finance related legal matters.

NOTE 3 - DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Library has no

PARSONS PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS (cont'd)

other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investment of idle funds from taxing authority sources to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. At December 31, 2014, the Library had no investments from resources received from taxing authorities.

K.S.A. 12-1225 allows the Library board to receive and accept any gift or donation to the Library and administer the same in accordance with any provisions thereof. If no provisions are specified, the board shall have the power to hold, invest or reinvest the gift and any dividends, interest, rent or income derived from the gift in the manner the board deems will best serve the interests of the Library. The Library's investment policy states investment products may include money market funds, government securities, corporate bonds and stocks of domestic and/or international corporations.

At December 31, 2014 the Library had private funds which were received by contribution and are held in brokerage accounts in five funds managed by a local investment company with book values by type:

Mutual Funds	\$	343,945.09
Cash		43,508.48
Stock Equities		378,716.52
Bonds		<u>214,413.07</u>
Total Book Value	\$	<u>980,583.17</u>

Concentration of credit risk. State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance (FDIC) or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2014.

At December 31, 2014, the library's carrying amount of the deposits, including certificates of deposit was \$267,338.91. The bank balance was \$288,969.52. The difference between the carrying amount and the bank balance is outstanding checks. The bank balance was held by

PARSONS PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS (cont'd.)

three banks, resulting in a concentration of credit risk. Of the bank balance \$288,969.52 was covered by FDIC insurance. The Library has accounts at a brokerage firm that potentially subject the Library to concentrations of credit risk consisting principally of mutual funds and individual stocks and bonds. At December 31, 2014 \$980,583.17 of brokerage account balances were uninsured.

NOTE 4 – LONG-TERM DEBT

As of December 31, 2014 the Library had no debt.

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan description. The Parsons Public Library participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, etc. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

The State of Kansas is required to contribute the statutory required employers share.

NOTE 6 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library continues to carry commercial insurance for all other risks of loss, including fire,

PARSONS PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2014

NOTE 6 - RISK MANAGEMENT (cont'd)

theft, accident and liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three fiscal years.

NOTE 7 – COMPENSATED ABSENCES

Full time employees of the Library accrue paid vacation leave at a rate of one day per month up to a maximum of 30 days. Unused vacation leave is paid at termination at the employee's normal pay rate. Full time employees accrue sick leave at a rate of one day per month up to a maximum of 130 days.

The liability for accrued vacation and sick pay is not reflected on the financial statements, in accordance with the regulatory basis of accounting. Neither the actual or estimated amount of the liability was available at December 31, 2014. The cost of vacation and sick pay are recognized as expenditures when paid.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of the subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the library makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Library under this program.

NOTE 9 – USE OF ESTIMATES

The preparation of regulatory basis financial statements requires management to make estimates and assumptions that affect the reported amounts of expenditures during the audit period, encumbrances outstanding, and disclosure of contingencies and investment values at the end of the audit period. Actual results could differ from the estimates.

NOTE 10 – SUBSEQUENT EVENTS

The Library did not have any subsequent events through July 28, 2015, which is the date the financial statement was available to be issued for events requiring recognition or disclosure in the financial statement for the year ended December 31, 2014.

PARSONS PUBLIC LIBRARY
PARSONS, KANSAS
SUMMARY OF EXPENDITURES
Regulatory Basis
For the Year Ended December 31, 2014

	Expenditures Chargeable to Current Year
GOVERNMENTAL TYPE FUNDS:	
General Fund	\$ 345,814.42
Special Purpose Fund: Employee Benefits Fund	<u>58,764.54</u>
TOTAL	<u><u>\$ 404,578.96</u></u>

PARSONS PUBLIC LIBRARY
PARSONS, KANSAS

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended December 31, 2014

GENERAL FUND

	<u>Actual</u>
CASH RECEIPTS	
Tax Receipts	\$ 302,775.00
State of Kansas	3,706.17
SEK Library System	18,915.00
Interest and Dividends	19,704.72
Realized Gain on Investments	27,021.10
Grants	4,141.42
Gifts and Donations	1,621.80
Fines and Fees	7,713.87
Book Sales	1,974.31
E-Rate Revenue	480.00
Miscellaneous Revenue	<u>2,470.18</u>
TOTAL CASH RECEIPTS	<u>\$ 390,523.57</u>
EXPENDITURES	
Personnel	\$ 211,695.94
Contractual Services	42,401.06
Commodities	89,056.11
Capital Outlay	<u>2,661.31</u>
TOTAL EXPENDITURES	<u>\$ 345,814.42</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 44,709.15
UNENCUMBERED CASH & INVESTMENTS, BEGINNING	<u>1,195,889.80</u>
UNENCUMBERED CASH AND INVESTMENTS, ENDING	<u><u>\$ 1,240,598.95</u></u>

PARSONS PUBLIC LIBRARY
PARSONS, KANSAS

SCHEDULE OF RECEIPTS AND EXPENDITURES
Regulatory Basis
For the Year Ended December 31, 2014

EMPLOYEE BENEFITS FUND

	<u>Actual</u>
CASH RECEIPTS	
Tax Receipts	<u>\$ 61,247.00</u>
TOTAL CASH RECEIPTS	<u>\$ 61,247.00</u>
EXPENDITURES	
Contractual Services	<u>\$ 58,764.54</u>
TOTAL EXPENDITURES	<u>\$ 58,764.54</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 2,482.46
UNENCUMBERED CASH & INVESTMENTS, BEGINNING	<u>\$ 4,840.67</u>
UNENCUMBERED CASH AND INVESTMENTS, ENDING	<u><u>\$ 7,323.13</u></u>